

Newly Constructed Dwelling Property Tax Credit

Program Purpose and Description

This program was designed to encourage the construction and purchase of new homes in the city. The program provides:

A five-year City real property tax credit (50% in the first taxable year and declining by 10 percentage points thereafter) on *newly constructed* or *substantially rehabbed dwellings* if the property has not been previously occupied since its construction or rehabilitation. In order for a *substantially rehabbed dwelling* to be eligible for this credit, it must contain no more than four dwelling units and have been cited as being vacant and abandoned for more than one year or been owned by the Mayor and City Council of Baltimore for one year and in need of substantial repair to comply with applicable City codes.

This credit applies to newly constructed dwellings for which building permits were issued on or after October 1, 1994 (copy of building permit is required). This tax credit is **non-transferable** and only applies if the owner is the first party to purchase the newly constructed dwelling after its completion.

If someone owns a previously vacant building, has rehabilitated that building while owning it and would now like to apply for a property tax credit for the rehabilitated property, please see the fact sheet for **Vacant Dwelling Homeowners Property Tax Credit**. That credit program applies when the owner of the property has rehabilitated the property and continues to occupy it.

Qualifications

Owners of newly constructed dwellings may qualify for this tax credit by:

- Purchasing a newly constructed or substantially rehabbed dwelling.
- Occupying that dwelling as their principal residence for the duration of the credit period (as their principal residence, this would be the address reported on their income tax returns).
- Filing an application for the tax credit **within 90 days of settling on the purchase** of the dwelling.

Credit Calculation

A property tax credit granted under this program may not exceed the amount of City property tax imposed on the property, less the amount of any other credit applicable in that year, multiplied by the appropriate percentage as shown in the next table.

	City Taxes	Credit %	Credit Amount
Column Calculation	(1)	(2)	(3) (1) x (2)
Year 1	\$2,000	50%	\$1,000
Year 2	\$2,000	40%	\$800
Year 3	\$2,000	30%	\$600
Year 4	\$2,080	20%	\$416
Year 5	\$2,163	10%	\$216

How the Process Works

- When someone purchases a newly constructed residential dwelling, he or she does not generally know at the time of purchase what their real property assessment for the new home will be. The only assessment generally available at the time of purchase is the old assessment for the parcel, prior to the construction.
- At some point after the purchase of the newly constructed dwelling, the State Department of Assessments and Taxation (SDAT) will reassess the property to incorporate the new dwelling into the assessment value. It can take weeks or months for the SDAT to perform the reassessment.
- In the meantime, the new homeowner must apply with the City for this tax credit **within 90 days** of settlement on the house. When the homeowner submits the application to the City Collections Division, it will be date-stamped.
- On the tax credit application, the homeowner is asked whether they would like the tax credit to apply immediately in the year of purchase or whether they would like the first year of the tax credit to apply in the subsequent year.
 - This is because: 1) the current year's taxes might be based, for at least part of the year, on the old assessment value, which would yield less of a credit than the new reassessed value that will be applied at a later date; and 2) depending on the time of year when the home was purchased, the new owner might be responsible for only a partial year of taxes, which, again, would yield less of a credit than a full year's taxes.
- Upon receipt of the tax credit application, the City Collections Division checks the SDAT system to see whether the new home has been assessed. If a new assessment is noted in the SDAT system, then the application is processed. If a new assessment has not yet been entered into the SDAT system, then the Collections Division holds the application in a pending file and checks the SDAT system bi-weekly to see whether the assessment has been entered. Once an assessment has been entered, then the tax credit application is processed.
- **An application for this tax credit is not processed until the State has completed its assessment of the newly constructed dwelling.**
- Before processing any newly constructed tax credit application, the Collections Division staff will confirm with the applicant whether he or she wants the credit to apply in the current year or for the subsequent year. At times, an applicant might check "subsequent year" on the application but when the owner is later notified of the newly assessed value and the amount of taxes they owe for the current year (even if only a partial bill), they change their mind and decide they want the credit to apply in the current year.
- If the State performs the new assessment during the first half of the tax year (July through December), then the homeowner will be billed prospectively for a partial year (6 months) of State property taxes under the new assessed value. The homeowner will be billed

prospectively for a partial year (3, 6, or 9 months) of City property tax under the new assessed value, depending on when the assessment is completed.

Legal Reference

- State enabling legislation - Annotated Code of Maryland, Tax Property Article, Section 9-304 (d) (Chapter 616, 1994 Session, amended by Chapter 137, 2000 Session).
- Baltimore City Code, Article 28-Taxes, Section 10-5 (Ordinance No. 464, effective February 2, 1995, as amended by Ordinance 00-97, effective November 22, 2000 and Ordinance 02-400).

Sunset Provision

The State legislature has authorized this program through June 30, 2007. After June 30, 2007 additional owners of newly constructed dwellings may not be granted a credit under this program.

City of Baltimore
Collection Division
Department of Finance
Room 3, Municipal Building
200 North Holliday Street
Baltimore, MD 21202
(410) 396-3972, Fax: (410) 545-7620

TAX CREDIT APPLICATION FOR NEWLY CONSTRUCTED DWELLINGS

1. _____

2. _____
Property Reference Number
(Ward/Section/Block/Lot)

Purchaser(s) Name & Property Address

3. (H) _____ (W) _____
Telephone

4. When was this property purchased? _____

5. Select the first year for which you would like the credit to apply*:

Year of purchase: _____ (check one)

Subsequent year: _____

(*Note that in any case the credit will not apply until after the property has been re-assessed by the State Department of Assessments.)

6. Were the building permits for this dwelling issued on or after October 1st, 1994?

Yes _____ No _____

If you answered yes, please attach evidence of the building permits. If you answered no, you are not eligible for this tax credit.

7. Is this dwelling to be used as your principal residence?

Yes _____ No _____

If you answered no, you are not eligible for this tax credit.

8. Has it been 90 days or less since you settled on the purchase of this dwelling?

Yes _____ No _____ If you answered yes, please attach a notarized copy of your settlement worksheet. If you answered no, and your property was purchased after July 4th, 1998, you are not eligible for this credit.

Property Reference Number
(Ward/Section/Block/Lot)

PLEASE TAKE A FEW MOMENTS TO FULLY COMPLETE THIS QUESTIONNAIRE

1. What was your housing status prior to the purchase of this home?

Owned _____ Rented _____

Lived with Relatives _____ Other _____

2. Where did you live prior to the purchase of this home?

Baltimore City _____ Counties (give name) _____

Out-of-State (give name) _____

3. Are you a first time home buyer? Yes _____ No _____

4. Which location(s) did you search for this home?

Baltimore City Only _____ Baltimore City and Counties _____

Other (please specify) _____

5. How did you hear about this credit?

City Agencies _____

Mailings _____

Realtors _____

Radio/TV spots _____

Developers _____

Community Associations _____

Other _____

6. Did you know about the credit prior to the purchase of the home?

(If no, skip to question 9) Yes _____ No _____

7. Did the credit have any influence on your decision to purchase this home?

Yes _____ No _____

8. How important was the credit in your decision to purchase this home?

Very Important _____ Important _____

Not Important _____

9. How much did the credit reduce your yearly housing cost?

Less than \$400 _____ \$400-\$800 _____

\$800-\$1,200 _____ Over \$1,200 _____

Unknown _____

10. How many members in your household?

Adults _____

School aged children (K-12) _____

other children _____

11. What is your total household income?

Less than \$10,000 _____

\$10,000-\$20,000 _____ \$20,000-\$30,000 _____ \$30,000-\$40,000 _____

\$40,000-\$50,000 _____ \$50,000-\$60,000 _____ \$60,000-\$70,000 _____

\$70,000-\$80,000 _____ \$80,000-\$90,000 _____ \$90,000-\$100,000 _____

Over \$100,000 _____

12. Is this new residence a(n):

Individual newly constructed unit _____

An individual HCD-certified vacant rehabbed unit _____

A new unit created by combining one or more existing residential units _____

I declare under the penalties of perjury, that this application (including any accompanying forms and statements) has been examined by me and the information contained herein, to the best of my knowledge and belief, is true.

Purchaser(s) Signature

Date

Contact(s):

Paula Buchanan, Office Assistant III
Accounting Section
Room 3, Abel Wolman Municipal Building
443-984-3497
Paula.Buchanan@baltimorecity.gov

Hattie Scott, Assistant Supervisor
Accounting Section
Room 3, Abel Wolman Municipal Building
443-984-3498
Hattie.Scott@baltimorecity.gov

Janice Simmons, Manager
Collections Division
Room 1, Abel Wolman Municipal Building
410-396-3961
Janice.Simmons@baltimorecity.gov